

HOUSE BILL 81

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C8

2003 Regular Session
(31r0748)

ENROLLED BILL

-- *Ways and Means/Budget and Taxation* --

Introduced by **Delegates Boschert, Love, Amedori, Aumann, Barkley, Boteler, Cadden, Cane, V. Clagett, Conroy, C. Davis, Donoghue, Eckardt, Elmore, Frank, Frush, Impallaria, Kach, Kelly, Leopold, McConkey, McMillan, Moe, Owings, Parrott, Rudolph, Shank, Smigiel, Sophocleus, Sossi, and Walkup**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 ~~Income Tax Subtraction Modification Military Retirement Income~~
3 ~~Task Force to Study the Financial Impact of Retired Military Service~~
4 ~~Personnel on the Economy of the State~~

5 ~~FOR the purpose of altering a certain subtraction modification under the Maryland~~
6 ~~income tax for military retirement income over a certain period of time;~~
7 ~~providing that retirement income that is included in a certain subtraction may~~
8 ~~not be taken into account for purposes of a certain subtraction modification~~
9 ~~allowed under the income tax for certain individuals who are at least a certain~~
10 ~~age or who are disabled or have disabled spouses; providing for the application~~
11 ~~of this Act; and generally relating to a subtraction modification for military~~
12 ~~retirement income.~~

13 FOR the purpose of establishing a Task Force to Study the Financial Impact of

1 Retired Military Service Personnel on the Economy of the State; providing for
 2 the composition of the Task Force; requiring the Governor to designate the
 3 chairman of the ~~task force~~ *Task Force*; providing for the staffing of the ~~task force~~
 4 *Task Force*; prohibiting a member from receiving certain compensation;
 5 authorizing a member to receive certain reimbursement; establishing the duties
 6 of the Task Force; requiring the Task Force to report its findings to the Governor
 7 and the General Assembly; providing for the termination of this Act; and
 8 generally relating to a Task Force to Study the Financial Impact of Retired
 9 Military Service Personnel on the Economy of the State.

10 ~~BY repealing and reenacting, without amendments,~~
 11 ~~Article Tax General~~
 12 ~~Section 10-207(a)~~
 13 ~~Annotated Code of Maryland~~
 14 ~~(1997 Replacement Volume and 2002 Supplement)~~

15 ~~BY repealing and reenacting, with amendments,~~
 16 ~~Article Tax General~~
 17 ~~Section 10-207(q) and 10-209~~
 18 ~~Annotated Code of Maryland~~
 19 ~~(1997 Replacement Volume and 2002 Supplement)~~

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 21 MARYLAND, That the Laws of Maryland read as follows:

22 **~~Article Tax General~~**

23 ~~10-207.~~

24 (a) ~~To the extent included in federal adjusted gross income, the amounts under~~
 25 ~~this section are subtracted from the federal adjusted gross income of a resident to~~
 26 ~~determine Maryland adjusted gross income.~~

27 (q) (†) ~~[The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS~~
 28 ~~SUBSECTION, THE subtraction under subsection (a) of this section includes [the first~~
 29 ~~\$2,500 of military retirement income received by an individual during the taxable~~
 30 ~~year, if the individual:~~

31 (i) is at least 55 years old on the last day of the taxable year; and

32 (ii) was an enlisted member of the military at the time of
 33 retirement.

34 (2) ~~The amount of the subtraction under paragraph (1) of this subsection:~~

35 (i) ~~is reduced by 50% of the amount by which federal adjusted~~
 36 ~~gross income exceeds \$17,500; and~~

1 (ii) is reduced to zero if federal adjusted gross income exceeds
 2 \$22,500; 100% OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL
 3 DURING THE TAXABLE YEAR.

4 (2) FOR A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, 2007, THE
 5 FOLLOWING PERCENTAGE OF MILITARY RETIREMENT INCOME RECEIVED BY AN
 6 INDIVIDUAL DURING A TAXABLE YEAR IS SUBTRACTED UNDER SUBSECTION (A) OF
 7 THIS SECTION:

8 (I) 20% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2002
 9 AND BEGINNING BEFORE JANUARY 1, 2004;

10 (II) 40% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2003
 11 AND BEGINNING BEFORE JANUARY 1, 2005;

12 (III) 60% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2004
 13 AND BEGINNING BEFORE JANUARY 1, 2006; AND

14 (IV) 80% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2005
 15 AND BEGINNING BEFORE JANUARY 1, 2007.

16 10-209.

17 (a) In this section:

18 (1) "employee retirement system" means a plan:

19 (i) established and maintained by an employer for the benefit of its
 20 employees; and

21 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
 22 Revenue Code; and

23 (2) "employee retirement system" does not include:

24 (i) an individual retirement account or annuity under § 408 of the
 25 Internal Revenue Code;

26 (ii) a Roth individual retirement account under § 408A of the
 27 Internal Revenue Code;

28 (iii) a rollover individual retirement account;

29 (iv) a simplified employee pension under Internal Revenue Code §
 30 408(k); or

31 (v) an ineligible deferred compensation plan under § 457(f) of the
 32 Internal Revenue Code.

33 (b) [To] SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO determine
 34 Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at

1 least 65 years old or is totally disabled or the resident's spouse is totally disabled, an
 2 amount is subtracted from federal adjusted gross income equal to the lesser of:

3 (1) the cumulative or total annuity, pension, or endowment income from
 4 an employee retirement system included in federal adjusted gross income; or

5 (2) the maximum annual benefit under the Social Security Act computed
 6 under subsection (c) of this section, less any payment received as old age, survivors, or
 7 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

8 (e) For purposes of subsection (b)(2) of this section, the Comptroller:

9 (1) shall determine the maximum annual benefit under the Social
 10 Security Act allowed for an individual who retired at age 65 for the prior calendar
 11 year; and

12 (2) may allow the subtraction to the nearest \$100.

13 ~~(D) RETIREMENT INCOME THAT IS INCLUDED IN THE SUBTRACTION UNDER §~~
 14 ~~10-207(Q) OF THIS SUBTITLE MAY NOT BE TAKEN INTO ACCOUNT FOR PURPOSES OF~~
 15 ~~THE SUBTRACTION UNDER THIS SECTION.~~

16 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
 17 ~~July 1, 2003 and shall be applicable to all taxable years after December 31, 2002.~~

18 (a) There is a Task Force to Study the Financial Impact of Retired Military
 19 Service Personnel on the Economy of the State.

20 (b) The Task Force consists of the following members:

21 (1) one member of the Maryland House of Delegates, appointed by the
 22 Speaker of the House;

23 (2) one member of the Senate of Maryland, appointed by the President of
 24 the Senate;

25 (3) the Secretary of the Maryland Department of Veterans Affairs, or the
 26 Secretary's designee; and

27 (4) The Comptroller or the Comptroller's designee; and

28 ~~(4)~~ (5) the following members, appointed by the Governor:

29 (i) one representative from the American Legion;

30 (ii) one representative from the Veterans of Foreign Wars;

31 (iii) one representative from the Military Officers Association;

32 (iv) one representative from the Retired Enlisted Association;

- 1 (v) one representative who is a certified public accountant; and
- 2 (vi) three representatives from the general public.
- 3 (c) The Governor shall designate the chairman of the Task Force.
- 4 (d) The Maryland Department of Veterans Affairs and the ~~Department of~~
 5 ~~Legislative Services~~ State Comptroller's Office shall provide staffing for the Task
 6 Force.
- 7 (e) A member of the Task Force:
- 8 (1) may not receive compensation; but
- 9 (2) is entitled to reimbursement for expenses under the Standard State
 10 Travel Regulations, as provided in the State budget.
- 11 (f) The Task Force shall ~~determine~~:
- 12 (1) determine the number of retired military service personnel in the
 13 State of Maryland;
- 14 (2) determine the number of retired military service personnel engaged
 15 in a second career or secondary employment of any kind;
- 16 (3) determine the average total income of retired military personnel
 17 including any secondary employment or secondary career income, military retirement
 18 income, or other retirement income;
- 19 (4) determine the value of any additional benefits or programs available
 20 to retired military personnel;
- 21 ~~(3)~~ (5) determine the average expenditures by retired military service
 22 personnel on an annual basis for goods and services and the estimated sales tax
 23 generated by retired military service personnel in the State;
- 24 ~~(4)~~ (6) determine the average expenditures in the form of State, county,
 25 and local government services delivered to retired military service personnel ~~in~~
 26 ~~comparison to the adult population as a whole and their families;~~
- 27 ~~(5)~~ (7) determine the cost of health care services provided by the State
 28 to retired military service personnel ~~in comparison to the adult population as a whole;~~
 29 ~~and and their families;~~
- 30 ~~(6)~~ (8) determine the average State, county, and local real estate taxes
 31 paid by retired military service personnel on an annual basis-;
- 32 (9) review a comparison of the total tax burden in the State for military
 33 retirees as compared to other states; and

1 (10) review a comparison of the total tax burden in the State including
2 provisions of State law exempting retirement income and military retirement income
3 from taxation and any property tax or other tax benefits for retirees or military retirees,
4 as compared to other states.

5 (g) The Task Force shall report its findings to the Governor and, in accordance
6 with § 2-1246 of the State Government Article, the General Assembly on or before
7 December 1, 2003.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 July 1, 2003. It shall remain effective for a period of 6 months and, at the end of
10 December 31, 2003, with no further action required by the General Assembly, this Act
11 shall be abrogated and of no further force and effect.